

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7062**

**BILL NUMBER:** HB 1509

**DATE PREPARED:** Jan 8, 2001

**BILL AMENDED:**

**SUBJECT:** Tax credit for end user of fly ash components.

**FISCAL ANALYST:** Bernadette Bartlett

**PHONE NUMBER:** 232-9586

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill creates a tax credit for end users who purchase and use components manufactured in Indiana and composed of at least 50% coal combustion fly ash from Indiana power plants.

**Effective Date:** January 1, 2001 (retroactive).

**Explanation of State Expenditures:** The Department of State Revenue may experience an increase in expenses associated with the new credit. The Department should be able to absorb any additional expenses given its current budget.

**Explanation of State Revenues:** Seven utilities-- NiSource, Cinergy, AEP, Vectren, Hoosier Energy, IKEC, and IPL-- provided 1999 data on the approximate total production of coal combustion products and the percent reused. (Data for 2000 will be compiled in 30-60 days.) Coal combustion products include not only flyash, but also bottom ash and flue gas desulfurization (FGD) materials.

| 1999 Coal Combustion Products Totals |               |             |                |
|--------------------------------------|---------------|-------------|----------------|
| Product                              | Tons Produced | Tons Reused | Percent Reused |
| Flyash                               | 3,287,072     | 1,130,152   | 34%            |
| FGD Materials                        | 3,779,295     | 1,839,141   | 49%            |
| Bottom Ash                           | 1,162,642     | 497,420     | 43%            |
| Total                                | 8,229,009     | 3,466,713   | 42%            |

Indiana is slightly ahead of the national average, which is approximately 31% reuse for coal combustion

products. Additional incentives may increase reuse efforts and percentages reused.

The tax credit is equal to the lesser of 25% of the amount the end user pays during the taxable year for fly ash components or \$1,000. If the credit amount exceeds the end user's state tax liability, the excess credit shall be refunded to the end user.

Currently the main use for flyash is for a substitute of cement in ready mix concrete. Other uses for flyash is in the production of Portland cement, flowable fill used for fill in street cuts, in structural fills, and for manufacturing of block and other concrete products. Approximately five to ten ready-mix concrete companies exist in Indianapolis that purchase flyash. An estimated forty to fifty exist statewide.

There is no average price per ton of flyash. The cost to the end users can range from no cost to \$20 per ton. The variability in cost is driven by the quality of the flyash, the type of flyash (whether the ash is generated from the combustion of Illinois Basin Coal or Western Coal), and the location of the source of the flyash. Other variables that affect the cost of flyash to the end user are specific to the producers of the flyash.

The impact of the proposal will depend on the number of end users that apply for the credit and the amount of the credit for which they apply. If all of the estimated 50 end users apply for the credit, the total impact would equal \$50,000 (\$1,000 maximum credit multiplied by 50).

The credit would reduce individual and corporate income taxes which are deposited in the State General Fund and the Property Tax Replacement Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** R. James Meiers, Indianapolis Power and Light, 317.261.5185.